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SUBJECT: TURKEY: DONORS' ASSISTANCE TO LEBANON

REF: SECSTATE 139903

11. (SBU) Summary. At the August 31 donors meeting in Stockholm, Turkey will pledge assistance in the form of reconstruction projects, likely focused initially on the power sector. The GOT is looking for projects that contribute to long-term growth, understanding that it is also important to deal with Lebanon's debt and deficit problems and create a macroeconomic framework conducive to private sector-led growth. The Turkish private sector and NGO's are also interested in and well-positioned to make a contribution. Turkish officials will attend a follow-on meeting on aid to the Palestinians, but do not believe such aid can be effective until Israel and the HAMAS Government work out some kind of modus vivendi that allows aid to be delivered to those in need. End Summary.

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AID TO LEBANON  
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12. (SBU) MFA Deputy Undersecretary Ahmet Uzumcu and Ambassador Koray Targay -- MFA's assistance coordinator for Iraq and Afghanistan who has also been asked to take on Lebanese assistance -- will represent Turkey at the August 31 Lebanon Donors meeting in Stockholm. According to Targay, the Council of Ministers has not yet set the dollar amount of Turkish assistance. Targay said Turkey's pledge would focus on reconstruction in general, and probably on one or two infrastructure projects specifically, depending on the amount of funding available. He said he was looking at power sector projects including repairing damaged power transmission lines, starting up the completed, but not operational Banyas natural gas pipeline from Syria, and seeing if something could be done to resurrect the Trans-Arabian Pipeline (Tapline) from Saudi Arabia. Targay said he is looking for long-term projects that contribute to sustainable economic growth and that the counterpart for all GOT projects would be the Government of Lebanon. He did not think he would have any trouble convincing his MFA superiors and the Prime Minister of the importance of funding such projects.

13. (SBU) Targay said he understood that restructuring Lebanon's \$38 billion official debt would also be on the agenda in Stockholm, with a possible follow-on meeting in Beirut. Although Turkey holds a very small amount of bilateral claims, it would support a debt restructuring accompanied by a meaningful economic reform plan. Targay understood that France was opposed to discussing debt in this forum. He was, however, disappointed by the failure of previous French-led efforts to encourage sound macroeconomic policies.

14. (SBU) Targay also noted that a number of Turkish NGO's, including the Kizilay (Red Crescent), Turkish Kidney Foundation, Deniz Feneri (Lighthouse) association, and the Istanbul Organization for International Cooperation, as well as the GOT's Turkish Emergency Management Agency, had

provided emergency humanitarian assistance in the wake of the fighting. Contributions from the public were still coming in. The International Red Crescent Society also sent \$300 million in humanitarian relief to Lebanon using the Turkish port of Mersin as an operational hub. Targay said such aid was provided to "Lebanese public institutions" for distribution to end-users. Turkish aid is not going to Hizballah as such, but he thought it quite likely that some Hizballah-related organizations could end up benefiting from the assistance given the role they play in Lebanese society. The Turkish private sector was also actively involved in cleanup and initial reconstruction.

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AID TO PALESTINIANS  
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15. (SBU) Targay will participate in a follow-on meeting on aid to the Palestinians organized by Sweden on September 1. While he believed that a "three year humanitarian assistance strategy" was necessary to avoid "starvation" in Gaza and a Palestinian exodus from Gaza and the West Bank, he stressed Turkey's belief that such aid could only reach the people who need it with Israel's active assistance. This in turn would require an understanding of some sort between Israel and HAMAS. Turkish assistance would only be provided under these circumstances.

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COMMENT  
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16. (SBU) Turkey's financial capacity is limited under its IMF program, but its geographical proximity and deep private sector and historical ties leave it well-placed to make a significant contribution to reconstruction and growth in the Lebanese economy. Its own success in reforming government finances and spurring growth under the IMF's auspices should also be a positive regional example for Lebanon. Targay said he understood that the United States would be represented by a strong delegation and that he hoped to have contact with the U.S. delegation, some of whom he knows from his work on Afghanistan and Iraq.

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